

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 3.c, 5, 7.e-f, AND 10 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on January 9, 2015. Each question is stated verbatim and followed by the response.

The Postal Service is also updating its Application for Non-Public Treatment. The response to question 3.c contains information for which members of the Kahala Posts Group may have an interest. The applicable parties have been notified, and Vincent Mougey, Vincent.J.Mougey@usps.gov and +852 2528 6718, is the appropriate contact.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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January 23, 2015

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3. The following questions concern inbound EMS and the Kahala Posts Group (KPG).
- a. Please identify the foreign postal operators that were members of the KPG during FY 2014, and which of those member posts entered inbound EMS into the U.S.
 - b. Please confirm that during FY 2014, the EMS Cooperative Pay-for-Performance Plan was applicable to all KPG members identified in your response to subpart a. above. If not confirmed, please identify KPG member posts that were not subject to the EMS Cooperative Pay-for-Performance Plan and explain why the EMS Cooperative Pay-for-Performance Plan was not applicable to each such KPG member post.
 - c. The KPG Strategic Services Agreement contains the conditions for date-certain delivery performance in which late delivery results in penalties in the form of a postage refund. Please provide all reports (fiscal year, calendar year, and quarterly reports) that measure the service performance of inbound EMS from KPG member posts during FY 2014 with respect to late deliveries, penalties and any other service performance metrics. Include in your response the number of late deliveries for which a postage refund was made and the total amount of such refunds in FY 2014 for each KPG member post.
 - d. Please identify where in Library Reference USPS-FY14-NP2 or elsewhere in the ACR the FY 2014 "booked" and "imputed" financial results for inbound EMS entered by KPG member posts can be found. Please provide such financial results if they are not presented in the FY 2014 International Cost and Revenue Analysis (ICRA) or elsewhere in the ACR.

RESPONSE:

- (a) Response previously provided.
- (b) Response previously provided.
- (c) Please see USPS-FY14-NP31 that accompanies this response.
- (d) Response previously provided.

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5. Inbound Air Parcel Post (at non-UPU rates) consists of financial results for Royal Mail and collectively for several European postal operators that have executed bilateral agreements pursuant to Annex B2 of the Agreement for the Delivery of Day Certain Cross-Border Parcels (EPG Agreement), which predates the PAEA. During FY 2013, the Postal Service implemented an EPG continuous improvement plan making operational improvements to decrease penalty payments and increase revenue for EPG parcels. The plan established calendar quarter On-Time Performance goals in order to achieve improved performance.¹ Postal Service Response to CHIR No. 5, question 3(a).
- a. Please provide the On-Time Performance goals, and the on-time performance achieved, for each calendar quarter of 2014 and, for comparison purposes, each calendar quarter of 2013. If information concerning on-time performance achieved for any calendar quarter of 2014 (or 2013) is not available, please provide such information as it becomes available.
 - b. For FY 2014, please explain what caused the Postal Service to make penalty payments, and whether such payments were made pursuant to provisions of bilateral agreements executed pursuant to Annex B2 of the EPG Agreement, or any other bilateral or multilateral agreements.
 - c. For FY 2014, please provide the total amount of penalty payments, and the related trigger events (*i.e.*, late delivery, late transmissions, missing delivery information, etc.) that caused the penalty payments.

RESPONSE:

- (a) Please see USPS-FY14-NP31 that accompanies this response.
- (b) Notable conditions in FY2014 that impacted penalties included operational changes taking place at the five international service centers, increased operational capacity, operational process optimization, adjustments in the domestic network service standards, and continued impact from the consolidation of the military mail operations into a single mail facility. The penalty payments arose from the multilateral agreement executed pursuant to Annex B2 of the EPG agreement.
- (c) Please see USPS-FY14-NP31 that accompanies this response.

¹ Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-3.b., and 7-12 of Chairman's Information Request No. 5, February 11, 2014 (Postal Service Response to CHIR No. 5).

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7. The following questions concern revenues and transaction volumes for the IMTS–Inbound product. The Postal Service states that revenue reported for the IMTS–Inbound product represents fees the Postal Service receives from certain foreign postal operators for cashing their inbound international money orders. Such fee revenue is reported in General Leger Account 43317: Money Order Fees–Commission for Redeeming International Foreign Issue, net of any Postal Service payments to foreign postal operators for international money orders issued by the Postal Service that are cashed by such operators.
- a. For FY 2014, please confirm that the Postal Service has bilateral agreements for international money transfer services (*i.e.*, international money orders) with the following foreign postal operators (or countries): Montserrat, St. Kitts, British Virgin Islands, Bahamas, Barbados, Japan, Peru, St. Vincent, Belize, and Dominica. If not confirmed, please identify the foreign postal operators with which the Postal Service has bilateral agreements for international money transfer services.
 - b. For FY 2014, please specify which of the foreign postal operators identified in response to subpart a., have a bilateral agreement with the Postal Service that provides for a commission or other payment for cashing international money orders.
 - c. For any foreign postal operators identified in subpart a., but not identified in subpart b., please explain how the Postal Service is compensated by such operators when their international money orders are cashed at post offices.
 - d. For FY 2014, please provide the fee revenue from the foreign postal operators identified in response to subpart b., the face value of the associated international money orders cashed, and the associated transaction volume.
 - e. Given that IMTS–Inbound product revenue reported in General Leger Account 43317 is a net amount, please provide the Postal Service payments to each foreign postal operator identified in subpart b., for cashing international money orders issued by the Postal Service.
 - f. Please confirm that Postal Service fee payments to foreign postal operators are a cost to the Postal Service for the cashing of Postal Service-issued international money orders by such operators, and should be treated as a cost in the ICRA. If not confirmed, please explain why such fee payments to foreign postal operators should not be treated as costs in the ICRA.

RESPONSE:

(a-d) Responses previously provided.

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(d) Response previously provided, but supplemental information is now presented under seal in the Preface to USPS-FY14-NP31.

(f) Confirmed.

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10. The following questions concern the system of bonus payments and related service features administered by the UPU for Inbound Air and Surface Parcel Post (at UPU rates).
- a. For CY 2013 and CY 2014, please provide the required service features for bonus payments under the UPU inward land rate bonus system and the corresponding percentages.
 - b. For CY 2013, please provide the results of the Postal Service's final annual measurements for purposes of the inward land rate bonus.
 - c. For CY 2014, please provide the results of the Postal Service's most recent calendar year measurements for purposes of the inward land rate bonus.

RESPONSE:

- (a) Please see USPS-FY14-NP31 that accompanies this response.
- (b) Please see USPS-FY14-NP31 that accompanies this response.
- (c) Please see USPS-FY14-NP31 that accompanies this response.